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# Reports and Testimony: March 1994

## Highlights

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### Addressing the Deficit

*Because unmet needs and new spending claims will place continuing strains on the federal budget, GAO has identified examples of possible savings that stem from policy changes or program reforms previously identified as part of its audit work. Page 2.*

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### Amtrak

*Despite heavy reliance on federal subsidies, Amtrak may be unable to pay all its debts and provide quality service nationwide because its financial condition has continued to deteriorate. Page 45.*

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### Hawaiian Health Care

*Hawaii has the highest level of insurance coverage in the nation, paid primarily by employers. Even so, the state has experienced the same trends as the rest of the nation in rising health care costs, and some Hawaiians still have problems obtaining health services. Page 22.*

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# Reports and Testimony:

## March 1994

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### Agriculture and Food

#### **Farm Credit System: Repayment of Federal Assistance and Competitive Position**

GAO/GGD-94-39, Mar. 10 (144 pages).

This report discusses the Farm Credit System's repayment of the federal financial assistance provided in the late 1980s and its current and future competitive position. In studying rural credit cost and availability, GAO answers three main questions: (1) Should the federal financial assistance granted to the Farm Credit System be repaid? (2) What is the extent and fairness of competition between System institutions and commercial banks? (3) Should the System's charter be changed to permit diversification?

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### Budget and Spending

#### **Addressing the Deficit: Budgetary Implications of Selected GAO Work**

GAO/OCG-94-3, Mar. 11 (107 pages).

GAO has consistently stressed the urgent and ultimately unavoidable need to reduce the deficit. The persistently high deficit levels of the 1980s and 1990s and the mounting debt burden—now more than \$4 trillion—are hobbling government's ability to meet pressing national needs and are absorbing savings that could otherwise be used to finance investment. This report presents options for spending reductions and revenue increases, which stem from key findings and issues developed in GAO's audits and evaluations. GAO's deficit reduction framework consists of three broad strategies: considering whether to end or revise government services, redefining for whom these services are or should be provided, and exploring how the services can be delivered more efficiently. The options in this report cover a host of federal policies and programs, ranging from the dairy price support system to burden sharing in Korea to the collection of gasoline excise taxes.

#### **Impoundments: Status of Proposed Rescission of Fiscal Year 1994 Budget Authority**

GAO/OGC-94-23, Mar. 18 (three pages).

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This letter reports on the status of budget authority that was proposed for rescission by the President in his second special impoundment message for fiscal year 1994. Congress passed an emergency supplemental and rescission bill on February 11, 1994, that approved most of the rescissions proposed by the President in that impoundment message. The bill also approved most of the rescissions proposed by the President in his fourth special impoundment message. The President signed the bill into law on February 12. The Office of Management and Budget said that all budget authority withheld pursuant to those proposals was released for obligation on March 1, 1994.

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## Testimony

Budget Process: Some Reforms Offer Promise, by Susan J. Irving, Associate Director for Budget Issues, before the Subcommittee on the Legislative Process, House Committee on Rules. GAO/T-AIMD-94-86, Mar. 2 (21 pages).

The House Members of the Joint Committee on the Organization of the Congress have offered several proposals to increase and improve the information available to Members of Congress during the budget debate and to change the budget process itself. This testimony discusses recommendations related to biennial budgeting, controls over tax expenditures and entitlement spending, and gross national product budget analysis and fiscal and budget policy reports.

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## Business, Industry, and Consumers

**Small Business Administration:  
Inadequate Oversight of Capital Management Services, Inc.—an  
SSBIC**

GAO/OSI-94-23, Mar. 21 (27 pages).

Failure of the Small Business Administration (SBA) to recognize signs that Capital Management Services, Inc., a specialized small business investment company (SSBIC) in Little Rock, was operated improperly led to the loss to federal taxpayers of \$3.4 million. David Hale, then a municipal court judge, ran Capital Management in an improper manner by entering into prohibited transactions, including loans to business associates and loans for real estate purchases. By taking advantage of flexible SBA guidelines for determining socially or economically disadvantaged persons, Hale was able to make loans to persons with questionable claims to program eligibility. GAO was unable to fully analyze transactions with

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Susan McDougal, Castle Sewer and Water, and Southloop Construction because key participants were unavailable for interview and records were incomplete. Nevertheless, the loan to Susan McDougal, who along with her husband had a reported net worth of \$2.2 million, is an example of loan made to someone with questionable eligibility.

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## Civil Rights

### **Sex Discrimination: DEA's Handling of Sexual Harassment and Other Complaints**

GAO/OSI-94-10, Mar. 4 (34 pages).

Employees at the Drug Enforcement Administration (DEA) are reluctant to use the agency's complaint process to deal with sexual harassment because they fear reprisal from managers and because they believe that investigators lack objectivity, sensitivity, and competence. GAO found that Office of Professional Responsibility investigators sometimes did not obtain all corroborating evidence when looking into complaints and that differences in the rights and remedies afforded by equal employment opportunity and Office of Professional Responsibility investigations were not communicated to the employees. Finally, although training on the agency's sexual harassment complaints process was made available to all employees, many persons said that they had received no specialized training. GAO believes that DEA will continue to have problems with sexual harassment unless it changes the way in which it handles sexual harassment allegations. GAO summarized this report in testimony before Congress; see:

Sex Discrimination: Agencies' Handling of Sexual Harassment and Related Complaints, by Richard C. Stiener, Director of the Office of Special Investigations, before the Subcommittee on Oversight and Investigations, House Committee on Post Office and Civil Service. GAO/T-OSI-94-22, Mar. 8 (seven pages).

### **Americans With Disabilities Act: Challenges Faced by Transit Agencies in Complying With the Act's Requirements**

GAO/RCED-94-58, Mar. 11 (28 pages).

The Americans With Disabilities Act prohibits discrimination on the basis of disability. The law requires transit systems to gradually make their

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buses and rail systems accessible to the disabled, including wheelchair users, and provide alternative transportation to those unable to use the transit systems' fixed-route service. Alternative transportation, called paratransit or door-to-door service, is generally provided by vans, minibuses, or taxis. This report (1) reviews the early experiences of transit agencies in phasing in the act's paratransit requirements and notes challenges to successful implementation, (2) provides information on transit agencies' projections of costs and time periods to implement the act's paratransit requirements, and (3) identifies variables affecting the reliability of projections and the magnitude of potential costs.

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## Education

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### Testimony

School-Age Children: Poverty and Diversity Challenge Schools Nationwide, by Linda G. Morra, Director of Education and Employment Issues, before the Subcommittee on Education, Arts and Humanities, Senate Committee on Labor and Human Resources. GAO/T-HEHS-94-125, Mar. 16 (18 pages).

The face of school-age America is changing dramatically. As of 1990, one out of every six children lived in poverty and a rapidly growing number were from diverse racial and ethnic backgrounds. Along with these changes, schools face additional problems—one-sixth of the nation's third-graders change schools frequently, attending at least three different schools since the beginning of first grade. Many school districts are also teaching large number of immigrant students, who often have limited English proficiency. This testimony discusses the implications of these demographic characteristics for America's schools and for education policy.

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## Employment

**Multiple Employment Training Programs:  
Most Federal Agencies Do Not Know If Their Programs Are  
Working Effectively**

GAO/HEHS-94-88, Mar. 2 (92 pages).

Federal agencies keep a close watch on the billions of dollars they spend on employment training for the poor. The federal government plans to

spend an estimated \$17 billion in fiscal year 1994 to help the economically disadvantaged compete in the workforce. Most agencies, however, neither collect information on participant outcomes nor study program effectiveness. As a result, agencies cannot be sure how successful the programs have been in preparing people to obtain jobs. Even when participants were hired, agencies did not know whether the employment resulted from program participation or whether the participants would have found the same kind of jobs without federal assistance.

**Job Training Partnership Act:  
Labor Title IV Initiatives Could Improve Relations With  
Native Americans**

GAO/HEHS-94-67, Mar. 4 (39 pages).

This report provides information on the Indian and Native American job training program authorized under title IV of the Job Training Partnership Act. The act targets a variety of economically disadvantaged groups, including Native Americans, to receive employment-seeking skills and job training services. GAO discusses (1) the history of the relationship between the Labor Department and the Native American community with respect to the program and (2) the extent to which the act's funds are used to provide training services, one of four allowable cost categories under that program. GAO also examines disagreements between the Labor Department and Native Americans over proposed changes to program regulations and the reasonableness of such changes.

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**Testimony**

**Multiple Employment Training Programs: Major Overhaul Is Needed**, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Subcommittee on Employment, Housing, and Aviation, House Committee on Government Operations. GAO/HEHS-94-109, Mar. 3 (40 pages).

By GAO's count, at least 154 programs run by 14 federal agencies provide \$25 billion in employment training assistance to persons out of work. Although well intended, these programs, when taken collectively, tend to confuse and frustrate their clients and administrators, hamper the delivery of services to those in need, and potentially duplicate efforts and run up unnecessary costs. In addition, some programs lack basic training and monitoring systems needed to ensure the efficient and effective service. Past attempts to fix the system have fallen short. As a result, more



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programs are launched every year and the problems inherent in the system loom even larger. GAO testified that a major overhaul and consolidation of employment training programs is in order. The goal should be a customer-driven employment system guided by four principles: simplicity, tailored services, administrative efficiency, and accountability. The administration's draft proposal to consolidate programs serving dislocated workers seems to be a step in the right direction; however, this consolidation needs to be part of a larger restructuring of employment training programs. GAO also has some questions about the proposal's implementation.

Multiple Employment Training Programs: Conflicting Requirements Underscore Need for Change, by Linda G. Morra, Director of Education and Employment Issues, before the Subcommittee on Employment and Productivity, Senate Committee on Labor and Human Resources. GAO/T-HEHS-94-120, Mar. 10 (33 pages).

Despite decades of effort to improve employment training programs, conflicting eligibility requirements and differences in annual operating cycles are hampering the ability of the programs to provide participants needed services. Six different standards for defining "low income," five definitions of family or household, and five definitions of what is included in income make determining who is "economically disadvantaged" a complex task. Similarly, differences in age criteria for older worker and youth programs turn coordination into a "jigsaw puzzle." GAO supports overhauling and consolidating the employment training programs to create a customer-driven system embodying four principles: simplicity, tailored services, administrative efficiency, and accountability. In the interim, Congress, the administration, and representatives from state and local programs need to cooperate to identify and eliminate differences in program requirements.

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## Energy

### **Energy Management: Inadequate Monitoring of Contractors' Acquisitions From Affiliates**

GAO/RCED-94-83, Feb. 11 (43 pages).

The Energy Department's (DOE) monitoring of its main contractors at the Savannah River Site in South Carolina—Westinghouse and Bechtel—does not ensure that DOE pays fair and reasonable prices for acquisitions of

goods and services from the contractors' subsidiaries. GAO's review of Westinghouse and Bechtel acquisitions uncovered inadequate cost controls and performance problems, unallowable and questionable costs, and inappropriate contract approvals and contract payments. Poor Westinghouse management and limited DOE internal controls were contributing factors. DOE has not complied with its own regulations requiring competition for acquisitions from affiliates. Furthermore, Westinghouse and Bechtel have been able to acquire items from subsidiaries without the same level of scrutiny that DOE would apply if the purchases were made from nonaffiliated third parties. Various DOE studies point out that problems with acquisitions from affiliates exist elsewhere in the agency. GAO summarized this report in testimony before Congress; see:

Energy Management: Inadequate DOE Monitoring of Contractors' Acquisitions From Affiliates, by Victor S. Rezendes, Director of Energy and Science Issues, before the Senate Committee on Governmental Affairs. GAO/T-RCED-94-128, Mar. 17 (15 pages).

**Energy Management:  
DOE Can Improve Distribution of Dollars Awarded Under  
SBA's 8(a) Program**

GAO/RCED-94-28, Feb. 23 (20 pages).

Contract dollars awarded by the Energy Department (DOE) under the Small Business Administration's 8(a) program are concentrated among a small number of firms. Nearly 60 percent of DOE's \$1 billion worth of active contracts in April 1992 went to 13 firms. This concentration is due, in part, to the fact that DOE, like other federal agencies, is authorized to direct noncompetitive 8(a) awards to firms of its choosing. In addition, DOE's Oak Ridge Office has contributed to the concentration of awards by combining several procurements into a single larger procurement, resulting in the award of only one contract rather than several. Although these practices are not prohibited, DOE is missing opportunities to have a positive effect on a large number of firms. Agencies are required to award 8(a) contracts competitively if the estimated prices of the contracts exceed certain thresholds. DOE, however, has kept price estimates for contracts artificially low and structured contracts so their estimated prices fall below the thresholds specified for competition. This practice has further contributed to the concentration of 8(a) contract dollars among a small number of firms.

**Department of Energy:  
The Property Management System at the Rocky Flats' Plant  
Is Inadequate**

GAO/RCED-94-77, Mar. 1 (40 pages).

A recent audit of government-owned property at the Rocky Flat nuclear weapons plant in Colorado has revealed nearly \$30 million in missing items that range from computers to forklifts, a problem attributed to inadequate contractor management and poor Energy Department (DOE) oversight. Contrary to departmental guidance, DOE has never investigated the circumstances surrounding the missing property. Moreover, the contractor's property management system is inadequate. The plant's property tracking system data base is incomplete and contains inaccurate serial numbers for some items. Inappropriate changes have been made to the data base, including the deletion of entire records. Finally, the controls over how plant property is retired are inadequate. DOE, contrary to its own regulations, has allowed the contractor to operate without written property management procedures and has not approved the contractor's property management system. In addition, DOE has not ensured timely correction of previously flagged property management weaknesses.

**Department of Energy:  
Challenges to Implementing Contract Reform**

GAO/RCED-94-150, Mar. 21 (16 pages).

This report to the Secretary of Energy summarizes GAO's views on the Contract Reform Team's 1994 report entitled Making Contracting Work Better and Cost Less. The Reform Team acknowledges that weaknesses in the Energy Department's (DOE) "contracting practices are significant and systemic." In GAO's view, the Team's recommendations—more than 45 in all—represent a bold step forward for DOE and address many of GAO's long-standing concerns. These suggestions include using performance-based measures to evaluate contractors, providing more incentives to motivate behavior, and reducing strict reliance on cost contracts. The challenge facing DOE's leadership will be to develop a strategy for making these reforms reality. Overcoming workforce and management information weaknesses—essential prerequisites for change—are major hurdles for DOE.

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## Testimony

Nuclear Health and Safety: Safety and Health Oversight at DOE Defense Nuclear Facilities, by Victor S. Rezendes, Director of Energy and Science Issues, before the Subcommittee on Energy and Mineral Resources, House Committee on Natural Resources. GAO/T-RCED-94-138, Mar. 1 (10 pages).

The Energy Department's (DOE) history contains many examples in which safety, health, and environmental concerns have taken a backseat to weapons production. DOE officials acknowledge that this has occurred in the past. Since the late 1980s, DOE has tried to strengthen its internal oversight, and in 1988 Congress created the Defense Nuclear Facilities Safety Board to provide outside independent oversight. These changes have improved safety and health operations at DOE. Even so, GAO believes it is appropriate to assess the effectiveness of these controls and work to provide greater assurances that health and safety are not compromised.

Health and Safety: Protecting Department of Energy Workers' Health and Safety, by Jim Wells, Associate Director for Energy and Science Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-94-143, Mar. 17 (eight pages).

During the past 50 years, the Energy Department's (DOE) nuclear weapons complex produced tens of thousands of nuclear weapons. A by-product of this effort was vast quantities of radioactive and other toxic substances, ranging from plutonium and cesium to mercury and lead, all of which pose potential health and safety threats to plant workers—more than 600,000 over the years—and to persons living in neighboring communities. Protecting workers from exposure to radiation and hazardous materials continues to be a problem at DOE sites, and the cleanup program will expose workers to additional dangers. DOE needs a vigorous health and safety program that can pinpoint and address areas needing improvement. Although DOE has tried to strengthen the Office of Environment, Safety, and Health, GAO's examination of a key program—the Health Surveillance Program—uncovered many problems. Moreover, concerns have been raised about the quality and reliability of DOE's data on worker exposure to hazardous substances.

## Environmental Protection

### **Pollution Prevention: EPA Should Reexamine the Objectives and Sustainability of State Programs**

GAO/PEMD-94-8, Jan. 25 (60 pages).

GAO found major differences in the operations of the 105 state pollution programs it identified nationwide. Both regulatory and nonregulatory programs exist: The former require pollution prevention planning by industry while the latter promote voluntary prevention via technical assistance, education, and outreach to industry. GAO discovered, however, that many state programs claiming to conduct pollution prevention activities were inordinately involved in waste recycling, treatment, or disposal. These programs obtain funding from the Environmental Protection Agency (EPA), which rewards their after-the-fact strategies without examining whether prevention was possible. This is inconsistent with the policy set by the Pollution Prevention Act. GAO also found that many programs depend on EPA funding for their existence, even though this funding is not expected to be permanent. Thus, the state programs expected to implement pollution prevention were instead concentrating on other strategies and, in any case, do not appear likely to survive once federal money is withdrawn.

### **International Environment: Improved Procedures Needed for Environmental Assessments of U.S. Actions Abroad**

GAO/RCED-94-55, Feb. 11 (28 pages).

U.S. agencies perform a variety of work that could potentially affect the environment of other nations. For example, they apply pesticides in foreign countries to control agricultural pests, store waste on overseas military bases, issue permits for ocean dumping, and negotiate international trade agreements with environmental consequences. The National Environmental Policy Act requires federal agencies to assess the environmental impact of their actions, but the courts have not determined whether this requirement extends to these agencies' activities abroad. Executive Order 12114 specifically requires federal agencies to assess the environmental impact of "major" actions abroad but exempts other actions from this requirement. This report (1) compares the requirements for environmental impact assessments under the act and Executive Order 12114, (2) reviews federal agencies' implementation of Executive Order

12114, and (3) analyzes the advantages and disadvantages of applying the act's procedures to, or strengthening environmental impact assessment procedures for, federal agencies' activities outside the United States.

**Peer Review:**

**EPA Needs Implementation Procedures and Additional Controls**

GAO/RCED-94-89, Feb. 22 (12 pages).

In May 1991, the head of the Environmental Protection Agency (EPA) convened a panel of outside academicians to review of the role of science at EPA and to evaluate how the agency could meet its goal of using sound science as the basis for decision-making. The panel reported the next year that science was of uneven quality at EPA, causing the agencies' policies and regulations to be perceived as lacking strong scientific support. The panel recommended that EPA establish a uniform peer review process for all scientific and technical products used to support EPA guidance and regulations. A February 1993 GAO report (GAO/RCED-93-77R) commented on weaknesses in internal controls over EPA's peer review process that contributed to the premature release of a draft EPA report on environmental tobacco smoke. This report examines (1) EPA's efforts to implement a uniform policy on peer reviews and (2) its controls over documents sent to outside reviewers.

**Drinking Water:**

**Stronger Efforts Essential for Small Communities to Comply With Standards**

GAO/RCED-94-40, Mar. 9 (60 pages).

Meeting federal drinking water standards is a major financial problem for the 50,000 small towns that account for 90 percent of the nation's drinking water. In 1986, Congress amended the Safe Drinking Water Act to increase the number of regulated contaminants and beef up the Environmental Protection Agency's (EPA) enforcement authority. EPA has since issued new regulations that have significantly increased the responsibilities involved in managing drinking water programs. States are experimenting with a variety of strategies to improve small water systems' compliance with the Safe Drinking Water Act. They are (1) exploring affordable, alternative treatment strategies; (2) testing creative ways to deliver technical and financial help to small systems; and (3) exploring options for restructuring small systems, such as consolidating nonviable small

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systems with viable ones. A number of barriers, however, are preventing the wider use of these strategies—particularly the sheer number of systems needing assistance. EPA needs to strengthen its efforts to help small communities use more cost-effective technologies to protect drinking water. Moreover, Congress and the administration need to examine the spiraling costs associated with the act's requirements. The addition of new requirements without a commensurate increase in resources has hobbled states' and communities' ability to comply with basic program requirements. This problem has disproportionately affected smaller communities because they generally lack the economies of scale to absorb additional costs. GAO summarized this report in testimony before Congress; see:

Drinking Water: Combination of Strategies Needed to Bring Program Costs in Line With Resources, by Peter F. Guerrero, Director of Environmental Protection Issues, before the Subcommittee on the Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/TRCED-94-152, Mar. 14 (18 pages).

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## Financial Institutions

### **International Banking: Strengthening the Framework for Supervising International Banks**

GAO/GGD-94-68, Mar. 21 (78 pages).

Although international banking has grown and become the foundation for the global economy, no one regulator oversees international banks to ensure the safety and soundness of the entire system. In each country, bank supervisors are responsible for the quality of their supervision efforts but coordination with supervisors in other nations is purely voluntary. This report (1) reviews efforts by the Basle Committee on Banking Supervision, the principal mechanism by which regulators work to coordinate banking supervision; (2) assesses the effectiveness of the committee's approach and the extent to which the committee is pursuing options to bolster its role; and (3) analyzes whether the U.S. Foreign Bank Supervision Enhancement Act of 1991 can be one model for implementing into national law the Basle Committee standards to promote adequate international banking supervision.

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**Bank Insider Activities:  
Insider Problems and Violations Indicate Broader  
Management Deficiencies**

GAO/GGD-94-88, Mar. 30 (140 pages).

Insider fraud and other problems were evident in 61 percent of 286 bank failures in 1990 and 1991, according to investigations of those failures by the Federal Deposit Insurance Corporation (FDIC). GAO found that in 26 percent of the failures, FDIC investigators cited insider problems as one of the major causes. During the three years before these banks failed, federal bank examiners cited the banks for a total of 561 insider violations. Even though insider violations were cited and enforcement actions were taken, the banks still went under. In a review of federal examination reports for 13 open and relatively healthy banks, GAO discovered insider violations similar to those found in the failed banks. In general, GAO found that examiners were more effective at detecting insider problems at banks that had already failed rather than at institutions that were still up and running. GAO also found that examiners often failed to adequately communicate to bank boards and management the potential seriousness of problems and violations. As a result, the problems went uncorrected and became more serious. At the same time, bank boards of directors and bank management often failed to make an effort to understand the depth of the problems that examiners were trying to explain.

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**Testimony**

Bank and Thrift Regulation: Observations on Proposed Changes to Appraisal Requirement, by Helen H. Hsing, Associate Director for Financial Institutions and Markets Issues, before the Subcommittee on General Oversight, Investigations, and the Resolution of Failed Financial Institutions. GAO/T-GGD-94-102, Mar. 1 (22 pages).

This testimony focuses on the “de minimus” appraisal threshold—the dollar level that regulatory agencies have set for exempting real estate transactions of federally insured banks, thrifts, and credit unions from appraisal requirements. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 requires that written appraisals, done by professionals and in compliance with uniform standards, be completed for real estate transactions valued at more than \$100,000. In June 1993, federal regulators proposed a rule change that would raise the threshold to \$250,000, thereby reducing the number of transactions requiring appraisals, and substitute less formal evaluations. GAO discusses (1) the



current appraisal legislation and requirements; (2) the proposed change in the threshold; (3) the arguments for and against the proposal; (4) the regulators' response to public comments; and (5) GAO's preliminary observations on the proposal's effect on valuations of real estate, deposit insurance funds, and consumers.

Bank Regulation: Consolidation of the Regulatory Agencies, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-94-106, Mar. 4 (14 pages).

Several proposals have been made recently to consolidate the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC). Some of these proposals would merge all of these regulatory groups into a single independent agency—the Federal Banking Commission—while others would retain more than one regulator. The relative strengths and weaknesses of each major approach need to be carefully examined. GAO supports reducing the existing number of federal banking regulators. However, until questions about how the Federal Reserve's role in bank supervision can be resolved, GAO believes that it would be logical to combine OTS, OCC, and FDIC's supervisory responsibilities for state-chartered banks that are not members of the Federal Reserve System into one independent agency.

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## Financial Management

### **Financial Management: Control Weaknesses Limited Customs' Ability to Ensure That Duties Were Properly Assessed**

GAO/AIMD-94-38, Mar. 7 (52 pages).

GAO found significant weaknesses in the U.S. Customs Service's ability to ensure the assessment of duties, taxes, and fees on foreign goods imported into the United States. As a result, GAO cannot guarantee that the \$20 billion in revenue collections that Customs reported for fiscal year 1992 represents all the money that should have been collected that year. Further, controls over duties for items later exported or destroyed were not adequate to prevent duplicate or excessive refunds. Such refunds totaled nearly half a billion dollars during fiscal year 1992. In addition, Customs did not have a reliable way of measuring overall compliance with trade laws to determine if it was maximizing the use of its inspection and

enforcement resources. GAO recommends that Customs (1) adopt a strategy for inspecting cargo from both high- and low-risk carriers to ensure that all cargo is accurately and completely identified on manifests and entry documents and (2) require its district offices to keep perpetual inventory records of goods held in bonded warehouses and foreign trade zones that they oversee. GAO also suggests ways for Customs to improve its automated systems so that Customs can more effectively monitor the accuracy of entry documents, monitor activity related to goods held in warehouses and foreign trade zones, and validate drawback claims.

**Financial Management:  
Status of the Defense Business Operations Fund**

GAO/AIMD-94-80, Mar. 9 (28 pages).

The Defense Business Operations Fund maintains a contractual (buyer-seller) relationship with its customers, primarily the military services. Although the fund could have an estimated \$85 billion in revenues by fiscal year 1994, which would make it one of the largest corporations in the world, the fund operates on a break-even basis by recovering the costs incurred in conducting its operations. The fund provides such essential goods and services as the overhaul of ships, tanks, and aircraft and the sale of more than five million kinds of vital inventory items, such as landing gears for aircraft. The Defense Department's (DOD) 1993 plan to improve fund operations underscored the need for policies and procedures governing fund operations, better financial reports, and reliable financial systems to accumulate and report on operation results. Although DOD has made progress in implementing the plan, key steps designed to improve the fund's policies, procedures, and systems are not scheduled to be completed until later this fiscal year or next fiscal year. As a result, the fund continues to face operational problems. Antiquated systems and flawed data will continue to seriously impair DOD's ability to obtain reliable data on the results of operations. Short-term efforts, such as improving the accuracy of the financial data in existing systems, must be given high priority if fund's current operations are to improve. DOD will not achieve the fund's objectives until its systems are successfully upgraded.

**Financial Audit:  
Statement of Accountability of the House Finance Office for Fiscal  
Year 1992**

GAO/AIMD-94-63, Mar. 18 (10 pages).

GAO audited the statement of accountability for appropriations and other funds arising from cash transactions of the House Finance Office for fiscal year 1992. The House Finance Office handles receipts and disbursements for House offices, congressional committees, and the Capitol Police. GAO found that the statement was reliable in all material respects; internal controls reasonably ensured that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and there was no material noncompliance with laws and regulations.

**Credit Reform:  
Speculative Savings Used to Offset Current Spending Increase  
Budget Uncertainty**

GAO/AIMD-94-46, Mar. 18 (20 pages).

Using the present valued-based estimated future savings from a credit program to offset expenditures of a noncredit program is consistent with both the theory behind credit reform and the application of credit reform requirements. However, the opportunity to use such savings to offset current spending can create an incentive for overly optimistic, if not unrealistic, savings estimates. The net present value of estimated additional future collections on guaranteed student loans resulting from the 1991 Emergency Unemployment Compensation Act was scored as anticipated under the Budget Enforcement Act, the Omnibus Budget Reconciliation Act of 1993, the Federal Credit Reform Act of 1990, and existing scorekeeping conventions governing cost estimation and the budgetary effect of legislation. Estimates of the guaranteed student loan program savings were speculative because the Education Department has little historical data on which to base one of the collection methods. This greatly increased budgetary uncertainty.

**Financial Audit:  
Panama Canal Commission's 1993 and 1992 Financial Statements**

GAO/AIMD-94-89, Mar. 31 (28 pages).

This report presents the results of GAO's audits of the Panama Canal Commission's financial statements for fiscal years 1993 and 1992. The Commission, a federal agency, is responsible for running the Panama Canal until it is turned over to the Panamanian government in 1999. In GAO's opinion, the Commission's financial statements present fairly, in all material respects, its financial position for fiscal years 1993 and 1992 and the results of its operations, changes in capital, and cash flows for those years. In addition, internal controls reasonably ensured that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected. GAO found no material instances of noncompliance with laws or regulations.

## Government Operations

### **Government Contractors: Measuring Costs of Service Contractors Versus Federal Employees**

GAO/GGD-94-95, Mar. 10 (31 pages).

The federal government spent nearly \$12 billion in fiscal year 1992 on advisory and service contracts. An analysis of studies done by GAO, the Energy Department, and the Defense Department suggests that cost comparisons can be useful in deciding how to acquire needed services in the most cost-effective way. Federal agencies are not now required to do such cost comparisons in deciding whether to contract for advisory and assistance services. Although the nine studies GAO reviewed indicate that it may be less expensive in some cases if services were done by federal workers rather than by contractors, all of the studies had limitations. The studies also varied in the extent to which they incorporated all possible cost factors. In addition to cost, GAO believes that agencies should consider other factors in deciding whether to contract out for advisory services, including quality, timeliness, the technical skills of federal employees, and the duration of the work to be done. GAO notes that a potential conflict exists between the administration's objectives of (1) giving federal managers the flexibility to obtain needed services from the best possible source and (2) downsizing the federal workforce.

### **Financial Disclosure: Implementation of Statute Governing House and Legislative Agency Personnel**

GAO/GGD-94-76, Mar. 16 (12 pages).

Since the passage of the Ethics Reform Act of 1989, the House Committee on Standards of Official Conduct has improved its financial disclosure report review system. Today, state election offices are used to identify candidates who must file reports; reports are reviewed within 60 days of receipt; filers are notified when more information is needed; filers' reporting errors are being corrected; and late filing fees are being assessed. These are positive steps, but some procedures can be strengthened. For example, financial disclosure reports reviewed by the Committee do not contain a reviewer's signature or a certification statement that the report complies with laws and regulations. More than 2,000 congressional employees as well as employees of six legislative branch agencies file financial disclosure statements with the Committee. Although it can compare the reported information to statutory limitations, the Committee staff is unlikely to have in-depth knowledge of the types of work that each filer does and thus may not be in the best position to identify all potential conflicts of interest. The Senate and the executive branch have someone in the filer's supervisory chain review them—someone with more direct knowledge of the filer's duties and responsibilities.

**Financial Disclosure:  
Implementation of Statute Governing Senate and Legislative  
Agency Personnel**

GAO/GGD-94-77, Mar. 16 (10 pages).

Since the passage of the Ethics Reform Act of 1989, the Senate Ethics Committee has improved its financial disclosure report review system. Today, state election offices are being used to identify candidates who must file reports, reports are reviewed within 60 days of receipt, filers are notified when more information is needed, a computer is tracking outstanding financial disclosure reports, and late filing fees are being imposed. The Committee's reviewers are not in a position to identify and resolve all potential conflicts of interest because they are not familiar enough with the work done by employees who file financial disclosure reports. However, procedures have been instituted that could help spot potential conflicts of interest. Copies of the reports are now sent to each filer's respective office, Senator, or legislative agency, which are more knowledgeable about the kind of work their employees do.

**Postal Service:  
Issues Related to Settling a Disputed Contract for  
Air Transportation**

GAO/GGD-94-92, Mar. 24 (15 pages).

In April 1992, the U.S. Postal Service solicited bids for air cargo service for its Eagle Network, which transports Express Mail and Priority Mail, the Service's expedited mail classes. At the time of the solicitation, Emery Worldwide Airlines was providing air service under a contract scheduled to expire in January 1993. The Postal Service received four offers and in September 1992 awarded a contract to the lowest bidder—Postal Air, Inc. Emery, the second lowest bidder, and Express One, Inc., another offeror, challenged the award. The court later set aside that award because of a conflict of interest on the part of an individual who had evaluated the contract proposals. Under a court-approved settlement, Emery was awarded the contract and Express One was designated a principal subcontractor to Emery. The Postal Service and Emery agreed to pay Postal Air \$10 million and \$8.5 million respectively, and Postal Air waived any claims it might have as a result of the contract award. This report answers the following questions: What work did Postal Air perform that warranted multimillion dollar payments from the Postal Service and Emery? Was the settlement in the best interest of the Postal Service, the postal ratepayer, and the American public in light of changing conditions in the air freight industry? Was it proper contracting procedure for the Postal Service to award the contract without resoliciting when the court found the contract evaluation process to be flawed? What are the specifics of the agreements among the parties?

**Alternative Work Schedules:  
Many Agencies Do Not Allow Employees the Full Flexibility  
Permitted by Law**

GAO/GGD-94-55, Mar. 29 (62 pages).

The law has authorized the use of alternative work schedules for federal workers for years, and large numbers of employees in many organizations use them to help balance their working lives with their personal needs and family situations. At the same time, many employees are not allowed to use alternative work schedules, and few organizations allow their employees to use the options offering the greatest flexibility, such as gliding schedules with credit hours. More supportive management would

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make alternative work schedules more widely available to workers. GAO believes that federal agencies would benefit by expanding the use of alternative work schedules. GAO believes that it would make sense for all federal agencies to capitalize on the alternative work schedule program and use it to their advantage to attract and retain quality employees. This finding clearly supports the National Performance Review's suggestion that the President, by executive order, require agencies to use alternative work schedules.

**District's Workforce:  
Annual Report Required by the District of Columbia Retirement  
Reform Act**

GAO/GGD-94-64, Mar. 31 (six pages).

The federal government makes annual payments to the District of Columbia retirements fund for police officers and firefighters. To encourage the District government to control disability retirement costs, these payments must be reduced when the disability retirement rate exceeds a certain limit. GAO concludes that no reduction is required in the fiscal year 1995 payment to the fund.

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**Testimony**

Federal Employment: Impact of the President's Budget on Federal Employees, by Nancy Kingsbury, Director of Federal Human Resource Management Issues, before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service. GAO/T-GGD-94-108, Mar. 10 (10 pages).

The President's budget would limit the 1995 pay raise for federal workers to 1.6 percent, a further compromise of efforts to make government salaries competitive with private sector pay. Given the challenges involved in reducing the deficit, federal employees may again have to make sacrifices, such as the proposed pay limitation. At the same time, however, the pay comparability issue could harm efforts to recruit and retain quality employees. GAO supports the move to a smaller, more efficient government wherever possible. But unless staff cuts are based on well-considered planning and good communications, critical skills could be lost and the productivity of remaining workers could be harmed. The budget's proposal to charge agencies the full government share of accruing costs of the Civil Service Retirement System does not affect the deficit, but is an important step toward identifying the full costs of government programs.

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The proposed higher agency contributions are probably not needed to ensure that the retirement system honors its commitments to workers and retirees. Rather, the objective is to properly recognize accruing costs and charge them to agency programs.

Procurement Reform: Comments on Proposed Federal Acquisition Streamlining Act, by Robert P. Murphy, General Counsel, before the Senate Committee on Governmental Affairs and the Senate Committee on Armed Services. GAO/T-OGC-94-1, Mar. 10 (15 pages).

By virtually any measure, the government's system of buying goods and services does not work well. In GAO's view, any reform must be guided by three principles: fostering intelligent decision-making that takes advantage of commercial ingenuity and expertise, streamlining to maximize the use of declining resources, and managing for results instead of process. This testimony discusses the Federal Acquisition Streamlining Act, which seeks to simplify and streamline the government procurement process. GAO strongly supports this measure. Except for the testing provisions, GAO believes that the bill represents an important reform in the way the government buys its goods and services.

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## Health

### **Health Care in Hawaii: Implications for National Reform**

GAO/HEHS-94-68, Feb. 11 (56 pages).

For nearly 20 years, Hawaii has been a leader in the effort to achieve universal access to health insurance. It is the only state that requires employers to provide a minimum level of health insurance benefits to employees, and its public programs cover many residents lacking employment-based insurance. GAO makes several points. First, Hawaii's employer mandate did not harm small businesses. Second, although Hawaii's system of near-universal access has lowered health premiums, its per capita health care costs have risen at a rate similar to the national average. Third, Hawaii's experience suggests that an employer mandate by itself will not necessarily result in universal access to health care. GAO summarized this report in testimony before Congress; see:

Health Care in Hawaii: Implications for National Reform, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the House Committee on Small Business. GAO/T-HEHS-94-123, Mar. 16 (11 pages).



**Medicare:  
Greater Investment in Claims Review Would Save Millions**

GAO/HEHS-94-35, Mar. 2 (40 pages).

Given soaring U.S. health care costs and shrinking budgets for many government programs, Congress is concerned that Medicare pay only for appropriate medical services without compromising the quality of care provided to beneficiaries. One of the several ways that Medicare ensures proper payments is through the medical review function performed by contractors—called carriers—who process and pay claims for physician services, diagnostic tests, and other Medicare part B services. Review activities are designed to prevent spending on inappropriate, medically unnecessary, or excessive services. This report assesses a Health Care Financing Administration (HCFA) demonstration that involves medical review operations at five carriers: three of these were given added management flexibility and funding to enhance their medical review function and two served as comparisons. This report discusses whether (1) the improved medical review activities at the demonstration carriers produced measurable savings or benefits to the claims process, (2) more medical review funding for other carriers would be cost-effective, and (3) HCFA's medical review oversight needs improvement.

**Cancer Survival:  
An International Comparison of Outcomes**

GAO/PEMD-94-5, Mar. 7 (45 pages).

In comparing U.S. and Canadian survival rates for lung cancer, colon cancer, Hodgkin's disease, and breast cancer, GAO found that breast cancer patients lived longer after diagnosis in the United States than in Canada. The outcomes were mixed for the other types of cancer studied. Nine to 10 years after cancer was detected, the survival rates for U.S. patients were indistinguishable from (in the case of colon cancer and Hodgkin's disease) or lower (in the case of lung cancer) than survival rates in Canada. One possible interpretation of these findings is that quality of care for breast cancer patients is better in the United States than in Canada and that for the three other cancers it is about the same. Other interpretations focus on differences in detection.

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**Bone Marrow Transplantation:  
International Comparisons of Availability and Appropriateness  
of Use**

GAO/PEMD-94-10, Mar. 7 (61 pages).

The U.S. health care system has been criticized for encouraging the "overuse" of the newest and most costly medical treatments. This report examines the use of one complex, expensive, high-technology medical treatment—allogeneic bone marrow transplantation—in the United States and in the following nine foreign countries: Australia, Canada, Denmark, France, Germany, the Netherlands, New Zealand, Sweden, and the United Kingdom. During this procedure, which can cost upwards of \$125,000 in the United States, the patient's bone marrow is destroyed and replaced with marrow from a healthy donor. GAO found that U.S. leukemia patients were less likely than patients in six of the foreign countries to receive bone marrow transplants in time to potentially cure them. Although U.S. doctors perform the operation about as frequently as doctors do in other industrialized nations, they often wait until the disease is more advanced and the patient's chances for recovery are less promising. These findings challenge the assumption that the United States relies more than other medically advanced nations on new and complex treatments. U.S. patients, for good or ill, have not been the most likely to receive a transplant for any of the clinical conditions examined.

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**Testimony**

Health Care Reform: How Proposals Address Fraud and Abuse, by Leslie G. Aronovitz, Associate Director for Health Financing Issues, before the Subcommittee on Legislation and National Security and on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-HEHS-94-124, Mar. 17 (24 pages).

Weaknesses within the current health insurance system allow unscrupulous health care providers to cheat insurance companies and programs out of billions of dollars annually. Fraud and abuse flourish in a health care system that collects little information on provider practices, encourages high profits at the expense of cost-effective care, and has ineffective laws and enforcement mechanisms to punish and recover money from those abusing the system. This testimony makes several recommendations aimed at overcoming these problems. Recent legislative proposals to reform the health care system, including the administration's proposal, address each of these elements to some extent.

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**Medicare Part B: Inconsistent Denial Rates for Medical Necessity Across Six Carriers**, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Regulation, Business Opportunities, and Technology, House Committee on Small Business. GAO/T-PEMD-94-17, Mar. 29 (26 pages).

GAO discovered large disparities in a probe of how many Medicare claims are being rejected for medical reasons in different parts of the country. The study looked at six carriers: California Blue Shield, California-Occidental, Illinois Blue Shield, Wisconsin Physician Services, North Carolina-Connecticut General, and South Carolina Blue Shield. In Southern California, for example, the insurance carrier handling Medicare claims rejects as medically unnecessary 54 of every 1,000 claims for mammograms. In contrast, in Northern California, only three claims in 10,000 for the same procedure are turned down. GAO discovered that (1) sizable differences existed among the carriers with respect to denial rates for the services screened for medical necessity, (2) the number of services that carriers screened for medical necessity varied markedly, and (3) the overall denial rate for medical necessity also differed among the six carriers reviewed. At one extreme, one carrier denied as few as one service per 1,000 allowed, while at the other extreme, another carrier denied 23 services per 1,000 allowed. Medicare is a national program under which beneficiaries in different geographic areas should be receiving similar benefits. Although it may be essential for Medicare to allow for local determination of medical policy, GAO concludes that this allowance, left to itself, results in inconsistent treatment of beneficiaries and providers.

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## Housing

### **Property Insurance: Data Needed to Examine Availability, Affordability, and Accessibility Issues**

GAO/RCED-94-39, Feb. 9 (22 pages).

In the wake of the 1992 Los Angeles riots, concerns have been raised about the availability and the affordability of insurance needed for rebuilding. This report examines several issues involving property insurance in urban areas. This report discusses (1) the types of data that are now collected for determining the availability, the affordability, and the accessibility of property insurance for homeowners and small businesses in urban neighborhoods; (2) the types of data that would be

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needed to assess these issues if available data were inadequate; and  
(3) options that are available for collecting these data for homeowners  
insurance.

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## Testimony

Housing Issues: The Housing and Community Development Act of 1994, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs. GAO/T-RCED-94-148, Mar. 10 (17 pages).

H.R. 3838, the Housing and Community Development Act of 1994, addresses a number of issues that GAO has identified in its housing work. For example, it contains provisions that could reduce the potential for defaults or foreclosures in three government-sponsored loan programs: the Department of Housing and Urban Development's (HUD) insured multifamily loans, HUD-guaranteed Community Development Block Grant loans, and the Farmers Home Administration's rural housing loans. It would improve HUD's efficiency in assisting lower-income households by merging the HUD tenant-based certificate and voucher assistance programs. It also authorizes more funding for homelessness assistance programs. On the other hand, GAO is concerned about how the certificate, the voucher assistance, and the homeless assistance programs can best be structured to meet recipients' needs while minimizing administrative burdens on HUD staff and recipients. Congressional monitoring of both the Community Development Block Grant and HUD's multifamily loan programs will ensure that continued delinquencies, defaults, and foreclosures do not threaten the program's effectiveness.

Public Housing: Housing Agency Officials Want More Flexibility in Replacing Deteriorated Housing, by Jacquelyn L. Williams-Bridgers, Associate Director for Housing and Community Development Issues, before the Subcommittee on Employment, Housing, and Aviation, House Committee on Government Operations, and before the Subcommittee on General Oversight, Investigations, and the Resolution of Failed Financial Institutions, House Committee on Banking, Finance and Urban Affairs. GAO/T-RCED-94-159, Mar. 22 (16 pages).

The Department of Housing and Urban Development (HUD) classified more than a dozen large public housing authorities (PHA) as "troubled" because the public housing they manage is plagued with excessive vacancy rates. Although public housing vacancy rates nationwide are eight percent,

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troubled agencies average more than double that because many deteriorated buildings are unlivable and have no tenants. Until PHAS can demolish or dispose of these properties, HUD continues to pay PHAS large sums to prevent further deterioration. Housing agency officials told GAO that a maze of interrelated constraints prevented them from replacing worn-out and often vacant or crime-ridden housing with livable stock. These officials said that because of inflexible rules and red tape, they spent millions of dollars on vacant properties and more money to rehabilitate aging buildings than it would have cost to build new ones. HUD officials characterized the process of public housing replacement as gridlock. This testimony discusses (1) the one-for-one replacement statute that requires replacing every demolished or disposed-of public housing unit with one meeting acceptable housing standards, (2) site and neighborhood standards that seek to avoid overconcentrations of minorities or persons receiving federal assistance, and (3) HUD oversight of troubled housing agencies.

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## Income Security

### **Social Security: Disability Rolls Keep Growing, While Explanations Remain Elusive**

GAO/HEHS-94-34, Feb. 8 (45 pages).

More people are applying for and being awarded social security disability benefits than ever before, and these beneficiaries are remaining on the disability rolls for longer periods. As a result, disability payments have burgeoned. Changes in beneficiary characteristics have accompanied this growth: the average age of new beneficiaries is now below 50, mental impairment awards to younger workers have risen substantially, and more and more new beneficiaries receive such low disability insurance benefits that they get additional income from the Supplemental Security Income program. These low benefit levels suggest that the new beneficiaries had limited work histories. Higher unemployment probably contributes to increasing applications, and policy changes have produced changes in the numbers and the types of beneficiaries. Quantitative data on the impact of these factors are lacking, however, and important questions remain. The upshot is that the Social Security Administration's (SSA) ability to predict future growth and change in the rolls is limited. Better information would also help SSA to determine whether improvements in program management are needed.

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## Testimony

Social Security: Continuing Disability Review Process Improved, but More Targeted Reviews Needed, by Jane L. Ross, Associate Director for Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HEHS-94-121, Mar. 10 (14 pages).

GAO is encouraged by the Social Security Administration's (SSA) efforts to make the continuing disability review process more efficient and cost-effective through use of computer profiling and beneficiary self-reported data. GAO is concerned, however, that SSA continues to do too few continuing disability reviews, particularly for beneficiaries with the greatest likelihood of being removed from the disability rolls. In GAO's view, finding ways to provide SSA with more money to do the reviews would be worthwhile.

Social Security Administration: Many Letters Difficult to Understand, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HEHS-94-126, Mar. 22 (20 pages).

The Social Security Administration (SSA) each year sends letters to more than 44 million people. To accommodate this extremely high volume, virtually the entire process is automated. SSA relies on these letters to officially notify individuals about their eligibility for benefits or adjustments SSA is making to their benefits. SSA has had long-standing problems communicating clearly in its letters. Although SSA's recently revised communication standards appear to be a positive step, they do not address problems such as illogically ordered information or missing details. GAO staff trained in accounting and the social security program examined a representative sample of 500 letters and found them hard to understand. GAO concludes that SSA needs to establish overall communication objectives, including identifying its customers' preferences and measuring progress toward achieving such objectives.

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## Information Management

**Automated Welfare Systems:  
Historical Costs and Projections**

GAO/AIMD-94-52FS, Feb. 25 (41 pages).

The states have developed a number of computer systems, many of them quite costly, to help run their welfare programs. Federal assistance to these projects has totaled more than \$8.6 billion so far, and the

government may end up paying the lion's share of \$10.7 million in additional automated system costs projected through the end of the decade. Without effective federal oversight and monitoring of state development efforts, the government has few guarantees that its investment will yield systems that achieve their expected benefits and provide effective service to welfare clients.

**Weather Forecasting:  
Systems Architecture Needed for National Weather Service  
Modernization**

GAO/AIMD-94-28, Mar. 11 (40 pages).

The National Oceanic and Atmospheric Administration (NOAA) lacks a systems architecture, or overall blueprint, to guide the design, development, and the evolution of the many subsystems constituting its \$4 billion modernization of the National Weather Service's weather observing, information-processing, and communications systems. This situation has arisen because NOAA officials have not managed the multiple subsystems as interrelated parts of a single system. As a result, incompatibilities have arisen among the subsystems, including different communication protocols and application languages. The modernization effort has never had a central manager or a chief architect. Consequently, the subsystems continue to be developed and managed in largely the same manner as when they were started—as individual systems that must be interconnected after development to meet National Weather Service requirements. Unless a single manager is appointed and an architecture is developed and enforced, the integration of these and potentially other new weather-forecasting subsystems will continue to require more time, effort, and money than is necessary.

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**Testimony**

Information Management: Need for a Chief Information Officer for the General Services Administration, by Jack L. Brock, Director of Information Resources Management/Policies and Issues Group, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-AIMD-94-88, Mar. 24 (four pages).

Effective information management—along with effective program management, human resource management, and financial management—plays a critical role in meeting an agency's mission and program objectives. In January 1994 testimony (GAO/T-OCG-94-1), the

Comptroller General underscored the need to for agencies to hire chief information officers who could help senior management (1) define strategic information management priorities and (2) support program officials and the chief financial officer in defining information needs and developing strategies, systems, and capabilities to meet these needs. This testimony focuses on the need to establish a chief information officer position within the General Services Administration, which manages billions of dollars in federal property, administers the government's telephone service, and participates in the technology acquisitions of each federal agency.

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## International Affairs

### **Foreign Assistance: Inadequate Accountability for U.S. Donations to the World Food Program**

GAO/NSIAD-94-29, Jan. 28 (87 pages).

Intended as emergency food relief for countries such as Ethiopia, Pakistan, and Afghanistan, thousands of tons of U.S. commodities donated to the World Food Program of the United Nations have been lost, stolen, or mishandled due to lax accountability and internal controls. The program is exempt from accountability requirements that the Agency for International Development (AID) places on other program sponsors, and AID did not follow its own regulations governing its relationship with the program. GAO also notes that the United States does not always respond quickly to the World Food Program's emergency food requests. During fiscal year 1992, U.S. donations generally arrived nearly eight months after being requested. The response was slow because AID does not routinely treat World Food Program emergency requests as emergencies and because the Agriculture Department uses the same procurement and shipping procedures for emergency and nonemergency orders. Despite the slow U.S. response, emergency victims have not suffered because the program can substitute food stocks from other sources until U.S. donations arrive.

### **Mozambique: Insufficient Effort Made to Attract U.S. Suppliers Under AID Commodity Program**

GAO/NSIAD-94-73, Feb. 28 (32 pages).



This report reviews the Agency for International Development's (AID) procurement procedures and practices under a commodity import program established in 1984 to revitalize Mozambique's agricultural sector. Concerns had been raised about the amount of program funds spent on goods procured outside the United States. For example, only 18 percent of total commodities and less than one percent of vehicles supplied to Mozambique during fiscal years 1985-93 were from the United States. GAO discusses (1) why this program has benefited primarily U.S. trade competitors, (2) whether changes in law or regulation are needed to prevent this procurement imbalance, and (3) whether AID financing of commodity purchases from South Africa violated the sanctions imposed against that country.

**Peace Operations:  
Cost of DOD Operations in Somalia**

GAO/NSIAD-94-88, Mar. 4 (54 pages).

The Defense Department (DOD) incurred incremental costs of nearly \$885 million for operations in Somalia through the end of fiscal year 1993. According to DOD officials, the transfer of funds necessary to cover these expenses has not harmed normal spending plans. DOD officials caution, however, that continued spending for such contingency operations could create problems over the long run. DOD is entitled to be reimbursed by the United Nations for about \$124 million of the \$885 million in incremental costs. In some cases, DOD would be allowed to keep the money it received from the United Nations, giving it access to funds above the amount appropriated for that fiscal year. DOD would then have access to these funds without any requirement for further congressional authorization or appropriation.

**International Trade:  
Kazakhstan Unlikely to Be Major Source of Oil for the  
United States**

GAO/GGD-94-74, Mar. 4 (43 pages).

Covering a territory of more than 1 million square miles, or about one-third of the continental United States, Kazakhstan, part of the former Soviet Union, is rich in oil, gas, and mineral deposits. The risk of disruption to Middle East oil production and the rising U.S. demand for foreign oil have spurred American interest in oil sources outside the Persian Gulf. This

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report provides information on Kazakhstan's potential as (1) a source of oil for the United States and (2) an investment opportunity for the U.S. petroleum industry and an export market for U.S. oil and gas equipment supplies. GAO also discusses Kazakhstan's oil and gas production, reserves, exports, and consumption; the possible pipeline routes for bringing Kazakhstan's oil to export markets; the factors encouraging and discouraging investment in Kazakhstan's petroleum sector; and the efforts of the U.S. government to support exports to and investment in Kazakhstan's petroleum sector and U.S. oil companies' responses to these efforts.

**Arms Control:**  
**Status of U.S.-Russian Agreements and the Chemical Weapons Convention**

GAO/NSIAD-94-136, Mar. 15 (35 pages).

Since 1928, an international treaty has banned the use of chemical weapons but not their development and production. The number of countries suspected of having or developing such weapons has risen to 24. A new multilateral treaty, the Chemical Weapons Convention, would require the destruction of chemical weapons and the means to produce them. The United States, although a signatory, has yet to ratify the convention. Earlier, the United States signed bilateral agreements with Russia aimed at destroying both countries' chemical weapon stockpiles. This report evaluates (1) the progress made in implementing the bilateral agreements with Russia, (2) the status of the Chemical Weapons Convention, and (3) the costs incurred by the United States in preparing for and implementing the treaties.

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**Justice and Law  
Enforcement**

**Bureau of Prisons Health Care:**  
**Inmates' Access to Health Care Is Limited by Lack of Clinical Staff**

GAO/HEHS-94-36, Feb. 10 (44 pages).

Federal prisoners with special needs, including women, psychiatric patients, and those with chronic illnesses, have not been receiving all the health care they need at medical referral centers run by the Bureau of Prisons (BOP). A lack of doctors and nurses is a major problem. Some of BOP's medical referral centers that GAO visited failed to correct identified quality-of-care problems. Although the doctors at each BOP center GAO

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visited were qualified, many physician assistants did not meet the training and certification requirements of the outside medical community. To reduce its reliance on community hospitals and other outside health care facilities, BOP is considering building six large hospitals and acquiring several military facilities. But BOP has yet to develop the data needed to determine the kind of medical services needed by inmates and the type of services it can effectively and efficiently deliver. Without such information, BOP can only guess at the numbers and the types of staff it would need to run these hospitals. BOP should consider drawing on the experience of states with similar problems in providing inmates with adequate medical care. These states have successfully contracted out some or all of their inmate medical care.

**Juvenile Justice:**  
**Native American Pass-Through Grant Program**

GAO/GGD-94-86FS, Mar. 28 (19 pages).

This fact sheet provides information on the Native American Pass-Through Grant Program, which provides federal grants to states and localities to help improve their juvenile justice systems. GAO (1) describes how the pass-through grant program works, (2) determines the funding amounts that the states and Indian tribes received under this program for fiscal years 1991-93, and (3) provides examples of how some tribes used the funds.

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**Testimony**

Money Laundering: The Volume of Currency Transaction Reports Filed Can and Should Be Reduced, by Henry R. Wray, Director of Administration of Justice Issues, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-94-113, Mar. 15 (11 pages).

The Bank Secrecy Act requires banks and other financial institutions to file a currency transaction report for transactions involving more than \$10,000 in cash. The number of reports filed has been steadily increasing—as of April 1993 nearly 50 million reports had been filed, and this figure could double in the next three years. Although these reports are extremely useful in detecting and prosecuting money laundering, GAO concludes that the volume of filings could be substantially reduced without jeopardizing law enforcement. In fact, the large volume of reports has made analysis difficult, expensive, and time-consuming. Many of the reports being filed involve routine business transactions that could have

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been exempted from reporting. GAO supports the provisions in S. 1664 that would encourage greater use of exemptions for routine transactions with no law enforcement value.

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## National Defense

### **Chemical Weapon Stockpile: Army's Emergency Preparedness Program Has Been Slow to Achieve Results**

GAO/NSIAD-94-91, Feb. 22 (26 pages).

After five years of effort by the Army and nearly \$200 million in outlays, communities near chemical weapon storage sites are still not prepared to respond to a chemical emergency. The Army now estimates that this emergency preparedness program will cost nearly \$700 million through its target completion date of 2003. The Army has yet to identify all the risks to civilians from a chemical accident, and the program has experienced delays in acquiring and installing essential equipment, such as warning sirens and automated systems. The program's management is complicated by the need to work with various state, local, and federal officials. The Army's overall management approach, however, has been ineffective. The Army's practice of sharing management responsibilities for activities such as training has led to unclear responsibility, uncoordinated activities, and weak controls over funds. These conditions have delayed the attainment of program objectives.

### **Intelligence Programs: Inquiry Into Contracting Practices for a Classified Program**

GAO/NSIAD-94-109, Feb. 28 (five pages).

Technology Research International, Inc. (TRI), a small disadvantaged business, alleged improper conduct by an Air Force prime contractor in awarding a subcontract to a TRI competitor. GAO found no evidence that the prime contractor—Lockheed Sanders, Inc.—had engaged in any misconduct in using the source selection process questioned by TRI. TRI did not submit the lowest bid and was given the same chance as competitors to update its proposal in response to amendments to the proposal request. In addition, weighting factors were consistently applied to each competitor's bid proposal. GAO found that the Air Force played no role in the source selection process for this subcontract. Finally, the prime contractor was not required to and did not use an evaluation preference

for small disadvantaged businesses. It was required, however, to have a small business/small disadvantaged business subcontracting plan as part of the prime contract. GAO found that such a plan had been developed and incorporated into the prime contract.

**Tactical Intelligence:  
Army Needs to Reconsider and Test All-Source Analysis  
System Alternative**

GAO/NSIAD-94-49, Mar. 7 (40 pages).

The All-Source Analysis System is an Army program to automate the processing and analysis of intelligence data from all sources. The Army is developing the system in several stages, or blocks. Block I is to be fielded over the next two years, while block III is to begin about 1998 and be fielded after the year 2000. The Army pegs the cost to develop, procure, and operate the system over its 20-year life cycle at about \$5 billion. This report evaluates (1) the readiness of block I for fielding, (2) whether further development of block II is the most cost-effective way to improve system capabilities, and (3) whether alternatives are available in lieu of developing block II.

**Army Acquisition:  
Information on the Status and Performance of the Javelin  
Antitank Weapon**

GAO/NSIAD-94-122BR, Mar. 9 (15 pages).

The Javelin, a portable medium-range, antitank weapon system, is intended to be used by the Army and the Marine Corps in rapid deployment situations, rough terrain, and air assault operations. The Army intends to make a decision on low-rate initial production for the Javelin in April 1994. This briefing report discusses the Javelin's (1) cost and acquisition plan, (2) projected effectiveness in certain countermeasures and environments, (3) ability to distinguish friend from foe, and (4) training plan to enhance target reconciliation and identification capabilities.

**Warfighting Capability:  
Some Army Tanks Should Be Transferred to the Marine Corps**

GAO/NSIAD-94-93, Mar. 15 (16 pages).

In response to the collapse of the Soviet Union and the dissolution of the Warsaw Pact, the United States has changed its national defense strategy. As part of that effort, the military services have been reexamining and restructuring their forces. This report reviews the basis for the Marine Corps' tank requirement and the reasonableness of the Marine Corps' efforts to have the Army transfer tanks to the Marine Corps free of charge.

**Military Academy:  
Gender and Racial Disparities**

GAO/NSIAD-94-95, Mar. 17 (63 pages).

Male and female cadets differed in some of their experiences at the U.S. Military Academy. For example, women consistently received offers of admission at higher rates than men but also consistently experienced higher attrition than men. Women's academic grades were lower than men's, particularly during the freshman and the sophomore years, despite generally higher academic predictor scores. In contrast, women's physical education grades were somewhat higher despite lower predictor scores in this area. Although reviewed more frequently for Honor Code violations and for failure to meet academic standards, women were recommended for separation less often. Although minorities had higher admission rates than did whites, they had lower academic predictor scores and lower academic, physical education, and military grades. As a result, minorities were reviewed for serious failure to meet academic standards and fewer minorities graduated in the top quarter of their classes. A higher percentage of minorities was reviewed for Honor Code infractions and minorities were recommended for separation for honor reasons at generally higher rates than whites. A GAO survey of cadets, staff, and faculty revealed perceptions that women and minorities were generally treated the same as men and whites. Some male cadets, however, viewed women as receiving better treatment in some areas. To a somewhat lesser degree, minorities were also viewed as receiving better treatment.

**Army National Guard:  
Officer Candidate Training Should Be Consolidated at One Site**

GAO/NSIAD-94-1, Mar. 22 (27 pages).

The Defense Department funds more than 50 schools to produce officers for the Army National Guard. GAO reviewed the operations of these schools to determine whether the Army National Guard could meet its officer

needs more effectively and economically. This report discusses the (1) numbers of officers being produced by the various National Guard commissioning sources, particularly the state officer candidate schools; (2) recent consolidation of portions of the state officer candidate school programs; and (3) potential for increasing economies through further consolidation.

**Special Operations Forces:  
Force Structure and Readiness Issues**

GAO/NSIAD-94-105, Mar. 24 (53 pages).

As a result of problems with several special operations missions in the 1980s, including the failed attempt to rescue American hostages from Iran in April 1980, Congress created a joint special operations command to ensure the combat readiness of assigned forces. In April 1987, the Defense Department established the U.S. Special Operations Command. This report assesses how the Command determines its force level and mix of active and reserve forces and examines issues affecting the readiness of special operations forces.

**Tactical Aircraft:  
F-15 Replacement Is Premature as Currently Planned**

GAO/NSIAD-94-118, Mar. 25 (nine pages).

Since the F-22 program entered full-scale development in 1991, the severity of the projected military threat has declined. Instead of confronting thousands of modern Soviet fighters, U.S. air forces are likely to face adversaries with few fighters capable of challenging the F-15—the U.S. front line fighter. GAO found that the capabilities of the F-15 exceeded the most advanced threat expected. GAO's analysis suggests that the current inventory of F-15s can be economically maintained in a structurally sound condition until 2015 or later. Thus, the F-22's initial operational capability can be delayed seven years and its planned production start date of 1996 can be postponed to a date that the Pentagon deems appropriate to meet the new initial operational capability date. In addition to the fact that the need for the F-22 to counter threats has declined, the aircraft has not been designed to handle multiple missions or joint use among the services, important features for any future solution for tactical aircraft modernization. The F-22, as designed, will be a land-based fighter unable to operate from aircraft carriers. Further, the F-22 is

designed mainly for one mission—air superiority against opposing fighters.

**Overhead Costs:  
Unallowable and Questionable Costs Charged by E-Systems, Inc.**

GAO/NSIAD-94-113, Mar. 28 (12 pages).

GAO's review of the overhead cost submissions of E-Systems, Inc., a large defense contractor, revealed about \$120,000 in unallowable costs out of \$16 million in general and administrative transactions. These costs included personal use of company cars, public relations efforts, chartered aircraft flights, and legal expenses. GAO also found another \$2.8 million in questionable charges, mainly because E-Systems did not keep or was unable to provide enough document for GAO to determine the allowability of the questioned costs. GAO also considered more than \$39,000 in travel costs to be excessive. The Defense Contract Audit Agency (DCAA) has also questioned E-Systems' overhead costs. DCAA has concluded, and GAO agrees, that E-Systems' internal controls for identifying and segregating unallowable costs did not guarantee that only allowable costs were included in the company's overhead cost submissions.

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**Testimony**

Overhead Costs: Unallowable and Questionable Costs Charged by Government Contractors, by David E. Cooper, Director of Acquisition Policy, Technology, and Competitiveness Issues, before the Senate Committee on the Budget. GAO/T-NSIAD-94-132, Mar. 3 (12 pages).

Defense contractors continue to bill the federal government for millions of dollars in questionable "overhead" costs each year, including liquor, overseas trips, golf outings, and baseball season tickets. GAO reviewed eight defense contractors: six small contractors with annual government sales ranging from \$11 million to \$107 million and two major contractors each with annual government sales topping \$1 billion. GAO found that all eight contractors had included unallowable costs in their overhead claims. For example, in addition to nearly \$1 million in costs identified by the Defense Contract Audit Agency at the six small contractors, GAO identified another \$2 million in overhead costs that were either expressly unallowable or questionable. GAO believes that the government needs to clarify its regulations on costs for entertainment and employee morale and welfare, cap the expenses that contractors may charge for certain



overhead costs, and buy more commercial products as a way to move from cost-based contracting toward market-determined prices.

Military Training: Lessons Learned and Their Implications for the Future, by Mark E. Gebicke, Director of Military Operations and Capabilities Issues, before the Subcommittee on Military Forces and Personnel, House Committee on Armed Services. GAO/T-NSIAD-94-128, Mar. 10 (22 pages).

This testimony on "lessons learned" from military training makes several points. Despite the widely held view that today's military is the best trained force in the world, common recurring weaknesses underscore the need for repetitive training if U.S. forces are to fight and win the first battle of the next war with minimal casualties. Although major efforts have been made to address long-standing gaps in joint training, many actions have yet to be completed. Simulation technology offers the potential for better training at lower cost, but the most appropriate mix of simulation and traditional training needs to be further defined. Preserving adequate training is essential but articulating precisely how much is needed is difficult. The training of reserve combat forces poses even greater challenges than those faced by the active forces.

Acquisition Reform: Role of Test and Evaluation in System Acquisition Should Not Be Weakened, by Louis J. Rodrigues, Director for Systems Development and Production Issues, before the Subcommittee on Federal Services, Post Office, and Civil Service, Senate Committee on Governmental Affairs. GAO/T-NSIAD-94-124, Mar. 22 (22 pages).

GAO generally supports the acquisition reform proposals now before Congress. Most of the proposed changes to the current test and evaluation legislation should not be enacted, however, because they address perceived rather than documented problems and because they would undermine a key management control over the system acquisition process. Given the problems that GAO continues to find in the acquisition of defense systems, the priority given to test and evaluation should increase, not decrease, as would occur if the proposed legislation were enacted. GAO's reviews of test and evaluation issues, the defense system acquisition process, and many individual weapon programs have consistently shown that independent operational test and evaluation is the most realistic way, short of war, to determine whether the Defense Department (DOD) is getting what it paid for. GAO also believes that if a program is "sold" on meeting certain requirements, DOD's commitment to that program should be strictly limited until DOD has shown that the requirements have been

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met. Hence, GAO believes that any change to the current test and evaluation legislation should at least preserve, if not strengthen, this "fly-before-buy" principle.

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## Science, Space, and Technology

### **Federal Contracting: Weaknesses Exist in NSF's Process for Awarding Contracts**

GAO/RCED-94-31, Jan. 31 (28 pages).

Weaknesses exist in the National Science Foundation's (NSF) process for awarding competitive contracts. GAO discovered that among the competitive contracts it reviewed, NSF, when soliciting for proposals, sometimes had not clearly described the work needed or identified the specific items that it would consider in evaluating the offerors' proposals. In addition, NSF sometimes either changed or improperly scored evaluation factors during the evaluation process. These weaknesses were due mainly to NSF's overall lack of emphasis on contracting activity, including inadequate internal oversight of the contract award process. Insufficient guidance for preparing solicitations and evaluating offerors' proposals were also contributing factors. In addition, GAO discovered shortcomings in NSF's process for awarding noncompetitive contracts. Although agencies are sometimes allowed to obtain services from a sole source rather than through competition, the agency must justify in writing its decision to do so. The justifications document attempts to identify other potential offerors and the steps the agencies plan to take to remove barriers to future competition. NSF did not meet either of these requirements for 6 of 11 noncompetitive contracts it awarded during fiscal years 1990 and 1991.

### **Federal Research: Interim Report on the Pilot Technology Access Program**

GAO/RCED-94-75, Mar. 7 (26 pages).

As part of the federal effort to bolster U.S. industries' competitiveness, the Pilot Technology Access Program provides small businesses with access to (1) computerized data bases containing technical and business information that they typically are unaware of, or cannot afford, and (2) experts knowledgeable in a wide range of technical fields. The program is being implemented at several small business development centers, which provide counseling, training, and research assistance to small business nationwide. The centers are run by the Small Business

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Administration. In 1991, six centers in Maryland, Missouri, Oregon, Pennsylvania, and Wisconsin were chosen to implement the program. This report discusses the status, implementation, and evaluation of the program. GAO also includes the views of the participating centers' directors on the program's effect on small businesses' productivity and innovation.

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## Social Services

### **Long-Term Care: Support for Elder Care Could Benefit the Government Workplace and the Elderly**

GAO/HEHS-94-64, Mar. 4 (70 pages).

Today, about six million older Americans living at home need help with day-to-day activities, such as eating, bathing, shopping, and housecleaning. Most disabled elderly still get all their care informally, from family members and friends, mainly women. However, several trends—greater geographic separation among family members, smaller families, and more working women—are putting strains such informal arrangements. Some private- and public-sector employers are now providing assistance, known as elder care, to ease work and caregiving conflicts. This assistance may include leave policies, alternative work schedules, and referral services to help employees care for their elderly relatives. Little is known nationwide about the extent and the content of elder care generally, and even less is known about elder care in government, which employs 18 million people or 15 percent of the workforce. This report evaluates (1) the extent and the nature of government practices facilitating elder care, (2) planned changes in these practices, and (3) their potential to further support informal caregivers.

### **Long-Term Care: Status of Quality Assurance and Measurement in Home and Community-Based Services**

GAO/PEMD-94-19, Mar. 31 (55 pages).

This report examines how quality is ensured and measured in home and community-based long-term care services for elderly persons with disabilities. These services range from skilled nursing services to help with activities such as bathing, dressing, shopping, and preparing meals. GAO answers the following questions: How is "quality" defined for home and

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community-based long-term care services? What measures are now being used to monitor or ensure quality?

**Vietnamese Amerasian Resettlement:  
Education, Employment, and Family Outcomes in the United States**

GAO/PEMD-94-15, Mar. 31 (81 pages).

About 75,000 Amerasians and their family members have left to resettle in the United States under provisions of what is commonly called the "Amerasian Homecoming Act." These Amerasians have special ties to the United States because their fathers were Americans serving in Vietnam before 1976. These ties caused them to suffer hardships and discrimination in Vietnam. In an earlier report (GAO/PEMD-94-10R), GAO discussed the process under which eligible Amerasians and their families participate in the resettlement program in Vietnam, receive language instruction and cultural orientation in the Philippines, and are finally resettled in the United States. This report focuses on the outcomes for Amerasians and their families after resettlement has taken place, particularly with regard to education, employment, housing, and health care. GAO also examines factors that have helped or harmed the successful resettlement of Amerasians.

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**Tax Policy and  
Administration**

**International Taxation:  
IRS' Administration of Tax-Customs Valuation Rules in Tax Code  
Section 1059A**

GAO/GGD-94-61, Feb. 4 (73 pages).

This report provides information on the Internal Revenue Service's (IRS) enforcement of section 1059A of the Internal Revenue Code, which deals with transfer pricing regulations. Section 1059A was meant to prevent the federal government from being whipsawed by an importer, on property acquired from a related party, that claimed a low valuation for customs purposes and a higher valuation for tax purposes. GAO discusses IRS' difficulties in applying the section and a July 1992 IRS legal opinion on the applicability of section 1059A to transactions between a U.S. parent and its Mexican related parties. GAO also discusses proposals to reconcile differing IRS and U.S. Customs Service valuation rules that affect the use of section 1059A.

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**Tax Policy and Administration:  
1993 Annual Report on GAO's Tax-Related Work**

GAO/GGD-94-82, Mar. 31 (144 pages).

This report summarizes GAO's work in the tax area during fiscal year 1993. It discusses actions taken on GAO's recommendations as of the end of 1993, recommendations that GAO made to Congress before and during fiscal year 1993 that remain open, and assignments for which GAO was given access to tax information under the law. GAO's key recommendations for tax policy and administration relate to the need for improving compliance with the tax laws, increasing accounts receivable collections, simplifying the tax system, strengthening the Tax Systems Modernization program, and improving management at the Internal Revenue Service.

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**Testimony**

Tax Systems Modernization: Status of Planning and Technical Foundation, by Hazel E. Edwards, Director of General Government Information Systems Issues, and by Jennie Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations. GAO/T-AIMD-GGD-94-104, Mar. 2 (13 pages).

The Internal Revenue Service (IRS) is better off this year but is not yet ready to successfully build Tax Systems Modernization (TSM) systems. First, IRS has not defined its business needs in detail, which hampers TSM projects. Second, major gaps in technical and management standards put IRS at risk that systems built today may not connect to systems produced in the future and that systems placed in operation may be plagued by logistical and operational problems.

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**Transportation**

**Airport Improvement Program:  
Better Management Needed for Funds Provided Under Letters  
of Intent**

GAO/RCED-94-100, Feb. 2 (24 pages).

Under the Airport Improvement Program, the Federal Aviation Administration (FAA) funds airport improvement projects. FAA may provide either grants or letters of intent, which document FAA's intent to obligate the money in future years, subject to authorization and appropriations.

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Between fiscal years 1988 and 1993, FAA issued letters of intent worth more than \$2 billion, including nearly \$1.5 billion that FAA plans to obligate in fiscal years 1994-2005. FAA must limit letters of intent to projects that significantly enhance systemwide airport capacity. FAA must also plan disbursements under letters of intent so that enough funds are available for other necessary airport improvements. This report (1) provides a profile of the letters of intent that FAA has issued and (2) discusses whether FAA has effectively managed the use of letters of intent.

**Airport Competition:  
Essential Air Service Slots at O'Hare International Airport**

GAO/RCED-94-118FS, Mar. 4 (18 pages).

This fact sheet provides information on the availability of air travel between small airports in the Midwest and Chicago's O'Hare International Airport. Some small communities in the Midwest contend that service to O'Hare is vital to attracting new industry and maintaining healthy local economies. Although the Essential Air Service program guarantees a minimum level of service from most small airports, these communities believe that maintaining frequent and convenient service to O'Hare has become increasingly difficult as the limited number of takeoff and landing slots at that airport have become controlled by a few large airlines. This fact sheet discusses (1) changes in service between small Midwestern towns and O'Hare since 1978 and since the Essential Air Service program was modified and extended in 1987, (2) the level of concentration of commuter aviation services in the Midwest, (3) differences in fares between small communities in the Midwest and those in other regions, (4) trends in slot use and capacity at O'Hare, and (5) the impact of airport improvements on O'Hare's capacity.

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**Testimony**

National Highway System: Refinements Would Strengthen the System, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Surface Transportation, House Committee on Public Works and Transportation. GAO/T-RCED-94-136, Mar. 1 (20 pages).

Expected to influence surface transportation for decades to come, the National Highway System (NHS) will link the country's leading highways with major travel destinations, including airports, rail terminals, and public transportation facilities. The Transportation Department, working with state and local officials as well as the private sector, has made great

strides in identifying the most important roads that should constitute NHS. This testimony discusses (1) the expectations for NHS, (2) states' rationales for requested adjustments to NHS mileage that the Federal Highway Administration had allocated to them, (3) problems in linking NHS other transportation modes, and (4) future adjustments to NHS.

Surface Transportation: Tight Budget Environment Requires Sound Investment Strategy, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation, House Committee on Appropriations. GAO/T-RCED-94-146, Mar. 8 (21 pages).

At the federal level, concerns about the deficit continue to affect funding decisions for a variety of federal programs, from transportation to health care. Investment choices affecting transportation infrastructure are also becoming increasingly complex as development of the National Highway System moves ahead and decision-makers try to get the biggest bang for every transportation dollar spent. This testimony discusses (1) a \$406 million imbalance in the Federal Highway Administration (FHWA) budget, (2) the need for an FHWA project-tracking system capable of providing information on the status of specific highway demonstration project authorizations, (3) the variability of states' use of life-cycle cost analysis as a way of maximizing housing investments, and (4) the need to refine the proposed National Highway System.

Amtrak: Financial Condition Has Deteriorated and Future Costs Make Recovery Difficult, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation, House Committee on Appropriations. GAO/T-RCED-94-155, Mar. 17 (37 pages); and

Amtrak: Deteriorated Financial Condition and Costly Future Challenges, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Hazardous Materials, House Committee on Energy and Commerce. GAO/T-RCED-94-145, Mar. 23 (39 pages).

Amtrak, which has always relied heavily on federal subsidies, has been under increasing pressure to reduce its dependence on federal money. Several indicators suggest that Amtrak's financial condition has deteriorated in recent years. Amtrak has dealt with its passenger revenue shortfall by increasing other revenues, such as those from its commuter rail business and shipments of U.S. mail, and by reducing expenses through staff cuts and deferred maintenance on some routes. Over the next few years, Amtrak will face difficult and costly challenges that

Amtrak must meet if it is to run a viable intercity network. These range from modernizing its locomotive and passenger rail fleet to negotiating new operating agreements with the freight railroads, which own about 97 percent of the track over which Amtrak operates. The President's proposed fiscal year 1995 budget for Amtrak of \$987.6 million—a nine-percent increase over 1994—should help Amtrak address its growing operating deficit but will not resolve its short- and long-term cost challenges. Only a handful of Amtrak's routes may ever generate enough revenue to cover all operating costs. Even in Europe, where economic conditions are more conducive to rail travel, intercity passenger service has required substantial public support. Amtrak and the federal and state governments must decide whether Amtrak is to continue its present course; expand into new areas, such as high-speed rail service; or pare back its network to a few relatively well-traveled corridors where losses can be minimized.

Coast Guard: Issues Related to the Fiscal Year 1995 Budget Request, by Allen Li, Associate Director for Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-94-140, Mar. 22 (15 pages).

For the past decade, Congress has repeatedly expressed its displeasure with the Coast Guard's failure to justify its request for operating expenses, which include everything from salaries to maintenance costs for boats and shore facilities. For fiscal year 1995, the Coast Guard is asking for a total of \$3.8 billion, including \$2.6 billion for the operating expense account. This testimony examines the status of the Coast Guard's actions to improve its budget process and provides GAO's observations on those changes. GAO discusses the Coast Guard's efforts to establish a better defined research and development program and to improve its acquisition management.

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## Veterans Affairs

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### Testimony

VA Health Care for Women: In Need of Continued VA Attention, by David P. Baine, Director of Federal Health Care Delivery Issues, before the House Committee on Veterans' Affairs. GAO/T-HHS-94-114, Mar. 9 (15 pages).



This testimony discusses the Department of Veterans Affairs' (VA) long-standing problems in meeting the health care needs of women veterans and the implications for VA's role in a reformed national health care system. VA has repeatedly stressed the need to deliver better service to women veterans and has issued guidance to its medical centers that responds to problems identified in a January 1992 GAO report. VA's greatest success has been in improving privacy for women veterans. VA has not, however, effectively monitored field facilities to ensure that they have actually improved service for women veterans. For example, even when medical centers submitted plans for improving breast cancer screenings—plans that VA found to be inadequate—VA did not notify the medical centers of its findings. Under VA's health reform proposal, each veteran would be assigned a primary care physician. This step should improve the thoroughness of cancer screenings for women veterans. But real progress in improving service for women veterans depends on the leadership of individual VA medical center directors.

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## Special Publications

### Health, Education, Employment, and Income Security Reports

GAO/HEHS-94-117W, Mar. 1994 (69 pages).

In providing Congress with objective, nonpartisan information, GAO audits a host of government programs. Those dealing with health, education, employment, and income security are typically administered by the Departments of Health and Human Services, Labor, and Veterans Affairs. This document lists the GAO products relating to these programs. GAO identifies reports and testimonies issued during the past five months and summarizes key products. GAO also lists all products published during the past two years, organized chronologically by subject. An order form is included.



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☐ Multiple Employment Training Programs: Conflicting Requirements Underscore Need for Change  
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☐ Energy Management: Inadequate Monitoring of Contractors' Acquisitions From Affiliates  
GAO/RCED-94-83, Feb. 11.

☐ Energy Management: DOE Can Improve Distribution of Dollars Awarded Under SBA's 8(a) Program  
GAO/RCED-94-28, Feb. 23.

☐ Department of Energy: The Property Management System at the Rocky Flats' Plant Is Inadequate  
GAO/RCED-94-77, Mar. 1.

☐ Department of Energy: Challenges to Implementing Contract Reform  
GAO/RCED-94-150, Mar. 21.

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☐ Nuclear Health and Safety: Safety and Health Oversight at DOE Defense Nuclear Facilities  
GAO/T-RCED-94-138, Mar. 1.

☐ Energy Management: Inadequate DOE Monitoring of Contractors' Acquisitions From Affiliates  
GAO/T-RCED-94-128, Mar. 17.

☐ Health and Safety: Protecting Department of Energy Workers' Health and Safety  
GAO/T-RCED-94-143, Mar. 17.

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GAO/PEMD-94-8, Jan. 25.

☐ International Environment: Improved Procedures Needed for Environmental Assessments of U.S. Actions Abroad  
GAO/RCED-94-55, Feb. 11.

☐ Peer Review: EPA Needs Implementation Procedures and Additional Controls  
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☐ Federal Employment: Impact of the President's Budget on Federal Employees  
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☐ Procurement Reform: Comments on Proposed Federal Acquisition Streamlining Act  
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## INFORMATION MANAGEMENT

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